

City of Rock Valley, Iowa
Independent Auditor's Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings And Questioned Costs
June 30, 2010

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**City of Rock Valley, Iowa
Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2010)		
Kent Eknes	Mayor	Jan. 2012
Gerold Burgers	Mayor Pro-Tem	Jan. 2012
Dale Kooima	Council Member	Jan. 2010
Mark McGill	Council Member	Jan. 2012
Kevin Van Otterloo	Council Member	Jan. 2010
Chad Van Zee	Council Member	Jan. 2010
Tom Van Maanen	City Administrator/Treasurer	Indefinite
Judy Van't Hul	City Clerk	Indefinite
Maureen McGill Hoogeveen	City Attorney	Indefinite
(After January 2010)		
Kent Eknes	Mayor	Jan. 2012
Gerold Burgers	Mayor Pro-Tem	Jan. 2012
Dale Kooima	Council Member	Jan. 2014
Mark McGill	Council Member	Jan. 2012
Kevin Van Otterloo	Council Member	Jan. 2014
Chad Van Zee	Council Member	Jan. 2014
Tom Van Maanen	City Administrator/Treasurer	Indefinite
Judy Van't Hul	City Clerk	Indefinite
Maureen McGill Hoogeveen	City Attorney	Indefinite

City of Rock Valley, Iowa



Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Rock Valley, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Rock Valley's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Rock Valley as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2010 on our consideration of the City of Rock Valley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on

internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 8 through 14 and 41 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rock Valley's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Van Bruggen & Vande Vegte, P.C.
Van Bruggen & Vande Vegte, P.C.

November 24, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Rock Valley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 7%, or approximately \$535,000, from fiscal 2009 to fiscal 2010. Property tax collections increased approximately \$88,000, tax incremental financing collections increased by \$58,000 and there were bond, note and loan proceeds issued of \$4,765,014.
- Disbursements of the City's governmental activities increased 9%, or approximately \$648,000, in fiscal 2010 from fiscal 2009. Public safety, culture and recreation, debt service, capital projects and general government disbursements increased approximately \$107,000, \$77,000, \$149,000, \$1,137,00 and \$75,000, respectively, while community and economic development and public works disbursements decreased approximately \$827,000 and \$70,000, respectively.
- The City's total cash basis net assets increased 37%, or approximately \$157,000, from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities decreased approximately \$48,000 and the assets of the business type activities increased by approximately \$205,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system, garbage collection, and the campground system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for water, sewer, garbage and campground funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$(244) thousand deficit to \$(292) thousand deficit. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service	\$ 705	\$ 433
Operating grants, contributions and restricted interest	373	253
Capital grants, contributions and restricted interest	-	-
General receipts:		
Property tax	2,015	1,869
Local option sales tax	270	292
Grants and contributions not restricted to specific purposes	15	-
Unrestricted interest on investments	13	22
Bond and loan proceeds	4,351	4,439
Other general receipts	261	160
Total receipts	<u>\$ 8,003</u>	<u>\$ 7,468</u>
Disbursements:		
Public safety	\$ 600	\$ 493
Public works	280	350
Health and social services	-	-
Culture and recreation	475	398
Community and economic development	408	1,235
General government	385	310
Debt service	1,113	964
Capital projects	4,830	3,693
Total disbursements	<u>\$ 8,091</u>	<u>\$ 7,443</u>
Change in cash basis net assets before transfers	\$ (88)	\$ 25
Transfers, net	40	(208)
Change in cash basis net assets	\$ (48)	\$ (183)
Cash basis net assets beginning of year (Deficit)	<u>(244)</u>	<u>(61)</u>
Cash basis net assets end of year (Deficit)	<u>\$ (292)</u>	<u>\$ (244)</u>

The City's total receipts for governmental activities increased 7%, or approximately \$535,000. The total cost of all programs and services increased by approximately \$648,000, or 9%, with no new programs added this year. The increase in receipts was primarily the result of proceeds received from the issuance of general obligation notes and revenue notes and loans.

The City did not change property tax rates for 2010. This stabilization and more importantly the increase in housing, commercial and industrial development increased the City's property tax receipts by approximately \$88,000 in 2010 and raised the City's tax increment financing collections by \$58,000. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase next year.

The cost of all governmental activities this year was \$8.091 million compared to \$7.443 million last year. However, as shown in the Statement of Activities and Net Assets on pages 16-19, the amount taxpayers ultimately financed for these activities was only \$7.013 million because some of the cost was paid by those directly benefited from the programs (\$705,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$373,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2010 from approximately \$687,000 to approximately \$1,078,000, principally due to charges for services. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$7,013,000 in tax (some of which could only be used for certain programs) and other receipts, such as interest, bond and loan proceeds, and other general receipts.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
Receipts:	Year Ended June 30,	
	2010	2009
Program receipts:		
Charges for service:		
Water	\$ 525	\$ 568
Sewer	458	459
Garbage	178	178
Campground	139	137
Capital grants, contributions and restricted interest	-	-
General Receipts:		
Unrestricted interest on investments	-	-
Bond proceeds	-	-
Other general receipts	-	9
Total receipts	<u>\$ 1,300</u>	<u>\$ 1,351</u>
Disbursements and transfers:		
Water	\$ 485	\$ 436
Sewer	302	257
Garbage	161	161
Campground	107	364
Total disbursements	<u>\$ 1,055</u>	<u>\$ 1,218</u>
Change in cash basis net assets before transfers	\$ 245	\$ 133
Transfers, net	(40)	208
Change in cash basis net assets	\$ 205	\$ 341
Cash basis net assets beginning of year	665	324
Cash basis net assets end of year	<u>\$ 870</u>	<u>\$ 665</u>

Total business type activities receipts for the fiscal year were \$1.300 thousand compared to \$1.351 thousand last year. This decrease was due primarily to the volume of usage. The cash balance increased by approximately \$205,000 from the prior year. Total disbursements and transfers for the fiscal year increased by 8% to a total of \$1,095 thousand.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Rock Valley completed the year, its governmental funds reported a combined fund deficit balance of \$(291,974), a decrease of more than \$47,928 below last year's total of \$(244,046). The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$198 from the prior year to \$254,516.
- The Special Revenue Road Use Tax Fund cash balance increased by \$6,618 to \$83,011 during the fiscal year. This was due to the slight increase in road use receipts.
- The Special Revenue, Local Option Sales Tax Fund, was established in a previous fiscal year to account for the one percent local sales and service tax activity. At the end of the fiscal year, the cash balance was \$2,901 a decrease of \$102,199 from the previous year due to transfers out.
- The Special Revenue, TIF Fund was established in a previous fiscal year to account for major urban renewal projects within the City. At the end of the fiscal year, the cash balance was \$20,489, an increase of \$489 from the previous year.
- The Debt Service Fund cash balance decreased by \$40,028 to \$(8,427) during the fiscal year. This decrease was due to an increase in bonding and lack of transfers in. Bond principal and interest payments increased by \$148,608 in fiscal 2010.
- The Capital Projects Fund increased by \$125,669 to \$(387,018) during the fiscal year. The increase was due to transfers in.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased by \$25,310 to \$295,433, due primarily to a decrease in the transfers out.
- The Enterprise, Sewer Fund cash balance increased by \$141,441 to \$599,335, due primarily to the decrease in transfers out.
- The Enterprise, Garbage Fund cash balance increased by \$6,094 to \$6,842, due primarily to a decrease in transfers out.
- The Enterprise, Campground Fund cash balance increased by \$32,218 to \$(31,696), due primarily to the number of customers serviced.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amendment was approved on June 9, 2010 and resulted in an increase in operating revenues due to bond issuance and transfers. Expenditures increased due to capital projects and repayment of bonds.

The City's receipts were \$256,380 more than the amended budget due to more receipts from charges for services.

The City's disbursements were \$1,442,417 more than the amended budget due to more disbursements for the capital projects.

DEBT ADMINISTRATION

At June 30, 2010, the City had approximately \$12,226,781 in bonds and other long-term debt outstanding, compared to approximately \$8,774,775 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year Ended June 30,	
	2010	2009
General obligation bonds and notes	\$ 5,517.5	\$ 5,911.0
Special assessment bonds and notes	-	-
Urban renewal tax increment financing revenue bonds	535	565
Revenue notes	6,174.3	2,298.7
Anticipatory warrants	-	-
Total	\$ 12,226.8	\$ 8,774.7

Debt increased as a result of general obligation bonds and notes being issued in the past year. In addition, the City issued revenue notes for the purpose of defraying a portion of the costs of carrying out water and sewer projects of the city.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$6,052,500 is below its constitutional debt limit of \$8.4 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Rock Valley's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates, and fees charged for various City activities. One of those factors is the economy. The City's employment growth has mirrored its population growth during 2000-2007, which saw the City grow by 8.6 percent from a population of 2,702 to 2,935. Unemployment in the city is unknown, however the State's unemployment rate is 6.5% and the national rate is 10.0%.

These indicators were taken into account when adopting the budget for fiscal year 2011. Amounts available for appropriation in the operating budget are \$10.531 million, a decrease of 21% over the final 2010 budget. Property tax (benefiting from the 2010 rate increases and increases in assessed valuations) are expected to continue to increase. The City will use these increases in receipts to finance programs we currently offer and to defray a portion of the costs of carrying out a major urban renewal project of the City. Budgeted disbursements are expected to decrease by approximately \$4,106,465. Increases in street construction and maintenance and capital projects represent the largest increases. The City has added water project and waste water treatment projects to the fiscal year 2011 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase slightly by the close of 2011.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Judy Van't Hul, City Clerk, 1507 Main Street, Rock Valley, Iowa 51247.

City of Rock Valley, Iowa

Basic Financial Statements

City of Rock Valley, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2010

		Program Receipts		
			Operating Grants, Capital Grants, Contributions, and Restricted Interest	Contributions and Restricted Interest
	Disbursements	Charges for Service		
Functions / Programs:				
Governmental activities:				
Public safety	\$ 600,269	\$ 182,836	\$ -	\$ -
Public works	280,365	-	250,642	-
Health and social services	-	-	-	-
Culture and recreation	474,454	48,167	56,025	-
Community and economic development	407,636	464,584	27,350	-
General government	385,325	9,427	38,917	-
Debt service	1,112,994	-	-	-
Capital projects	<u>4,829,632</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$8,090,675</u>	<u>\$ 705,014</u>	<u>\$ 372,934</u>	<u>\$ -</u>
Business type activities:				
Water	\$ 485,301	\$ 525,611	\$ -	\$ -
Sewer	301,666	458,107	-	-
Garbage	161,331	177,425	-	-
Campground	<u>106,345</u>	<u>138,563</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$1,054,643</u>	<u>\$1,299,706</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$9,145,318</u>	<u>\$2,004,720</u>	<u>\$ 372,934</u>	<u>\$ -</u>
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Grants and contributions not restricted to specific purposes				
Unrestricted interest on investments				
Bond and loan proceeds				

(Continued on page 18)

City of Rock Valley, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2010

<hr/> Net (Disbursements) Receipts and Changes in Cash Basis Net Assets <hr/>		
Governmental Activities	Business Type Activities	Total
<hr/>		
\$ (417,433)	\$ -	\$ (417,433)
(29,723)	-	(29,723)
-	-	-
(370,262)	-	(370,262)
84,298	-	84,298
(336,981)	-	(336,981)
(1,112,994)	-	(1,112,994)
<u>(4,829,632)</u>	<u>-</u>	<u>(4,829,632)</u>
<u>\$ (7,012,727)</u>	<u>\$ -</u>	<u>\$ (7,012,727)</u>
\$ -	\$ 40,310	\$ 40,310
-	156,441	156,441
-	16,094	16,094
-	32,218	32,218
<u>\$ -</u>	<u>\$ 245,063</u>	<u>\$ 245,063</u>
<u>\$ (7,012,727)</u>	<u>\$ 245,063</u>	<u>\$ (6,767,664)</u>
\$ 635,008	\$ -	\$ 635,008
142,582	-	142,582
1,237,110	-	1,237,110
270,242	-	270,242
15,339	-	15,339
13,442	-	13,442
4,350,534	-	4,350,534

(Continued on page 19)

(Continued from page 17)

City of Rock Valley, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2010

	<u>Program Receipts</u>		
	Charges for	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Disbursements	Service	
Miscellaneous			
Sale of assets			
Transfers			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
Cash Basis Net Assets			
Restricted:			
Expendable:			
Streets			
Urban renewal purposes			
Debt service			
Other purposes			
Unrestricted			
Total cash basis net assets			

See notes to financial statements.

(Continued from page 18)

Exhibit A

City of Rock Valley, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2010

<u>Net (Disbursements) Receipts and</u> <u>Changes in Cash Basis Net Assets</u>		
<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
260,542	-	260,542
-	-	-
<u>40,000</u>	<u>(40,000)</u>	<u>-</u>
<u>\$ 6,964,799</u>	<u>\$ (40,000)</u>	<u>\$ 6,924,799</u>
\$ (47,928)	\$ 205,063	\$ 157,135
<u>(244,046)</u>	<u>664,851</u>	<u>420,805</u>
<u>\$ (291,974)</u>	<u>\$ 869,914</u>	<u>\$ 577,940</u>
=====	=====	=====
\$ 83,011	\$ -	\$ 83,011
(144,677)	-	(144,677)
(8,427)	-	(8,427)
(333,953)	-	(333,953)
<u>112,072</u>	<u>869,914</u>	<u>981,986</u>
<u>\$ (291,974)</u>	<u>\$ 869,914</u>	<u>\$ 577,940</u>
=====	=====	=====

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2010

		Special Revenue	
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 488,076	\$ -	\$ -
Tax increment financing collections	-	-	-
Other city tax	3,903	-	270,242
Licenses and permits	3,433	-	-
Use of money and property	23,920	-	-
Intergovernmental	44,256	250,642	-
Charges for service	214,965	-	-
Special assessments	-	-	-
Miscellaneous	354,062	-	-
Total receipts	<u>\$ 1,132,615</u>	<u>\$ 250,642</u>	<u>\$ 270,242</u>
Disbursements:			
Operating:			
Public safety	\$ 508,391	\$ -	\$ -
Public works	-	244,024	36,341
Health and social services	-	-	-
Culture and recreation	443,049	-	-
Community and economic development	49,182	-	-
General government	339,795	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>\$ 1,340,417</u>	<u>\$ 244,024</u>	<u>\$ 36,341</u>
Excess of receipts over (under) disbursements	<u>\$ (207,802)</u>	<u>\$ 6,618</u>	<u>\$ 233,901</u>
Other financing sources (uses):			
Bond and loan proceeds	\$ -	\$ -	\$ -
Sale of capital assets	-	-	-
Operating transfers in	208,000	-	-
Operating transfers out	-	-	(336,100)
Total other financing sources (uses)	<u>\$ 208,000</u>	<u>\$ -</u>	<u>\$ (336,100)</u>

(Continued on page 22)

TIF Fund	Debt Service	Capital Projects	Nonmajor	Total
\$ -	\$ 142,582	\$ -	\$ 143,029	\$ 773,687
1,237,110	-	-	-	1,237,110
-	-	-	-	274,145
-	-	-	-	3,433
-	-	-	-	23,920
-	-	-	-	294,898
-	-	393,726	-	608,691
-	-	22,820	-	22,820
-	-	10,175	49,272	413,509
<u>\$1,237,110</u>	<u>\$ 142,582</u>	<u>\$ 426,721</u>	<u>\$ 192,301</u>	<u>\$ 3,652,213</u>
\$ -	\$ -	\$ -	\$ 91,878	\$ 600,269
-	-	-	-	280,365
-	-	-	-	-
-	-	-	31,405	474,454
258,191	-	-	100,263	407,636
-	-	-	45,530	385,325
-	1,112,994	-	-	1,112,994
-	-	4,829,632	-	4,829,632
<u>\$ 258,191</u>	<u>\$ 1,112,994</u>	<u>\$ 4,829,632</u>	<u>\$ 269,076</u>	<u>\$ 8,090,675</u>
<u>\$ 978,919</u>	<u>\$ (970,412)</u>	<u>\$ (4,402,911)</u>	<u>\$ (76,775)</u>	<u>\$ (4,438,462)</u>
\$ -	\$ 370,000	\$ 3,980,534	\$ -	\$ 4,350,534
-	-	-	-	-
12,000	1,021,384	698,000	38,100	1,977,484
(990,430)	(461,000)	(149,954)	-	(1,937,484)
<u>\$ (978,430)</u>	<u>\$ 930,384</u>	<u>\$ 4,528,580</u>	<u>\$ 38,100</u>	<u>\$ 4,390,534</u>

(Continued on page 23)

(Continued from page 21)

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2010

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Net change in cash balances	\$ 198	\$ 6,618	\$ (102,199)
Cash balances beginning of year	<u>254,318</u>	<u>76,393</u>	<u>105,100</u>
Cash balances end of year	<u>\$ 254,516</u>	<u>\$ 83,011</u>	<u>\$ 2,901</u>
Cash Basis Fund Balances			
Reserved for Debt Service	\$ -	\$ -	\$ -
Unreserved:			
General fund	254,516	-	-
Special revenue funds	-	83,011	2,901
Capital projects fund	-	-	-
Permanent fund	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 254,516</u>	<u>\$ 83,011</u>	<u>\$ 2,901</u>

See notes to financial statements.

(Continued from page 22)

Exhibit B

TIF Fund	Debt Service	Capital Projects	Nonmajor	Total
\$ 489	\$ (40,028)	\$ 125,669	\$ (38,675)	\$ 47,928
<u>20,000</u>	<u>31,601</u>	<u>(512,687)</u>	<u>(218,771)</u>	<u>(244,046)</u>
<u>\$ 20,489</u>	<u>\$ (8,427)</u>	<u>\$ (387,018)</u>	<u>\$ (257,446)</u>	<u>\$ (291,974)</u>
\$ -	\$ (8,427)	\$ -	\$ -	\$ (8,427)
-	-	-	-	254,516
20,489	-	-	(257,446)	(151,045)
-	-	(387,018)	-	(387,018)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 20,489</u>	<u>\$ (8,427)</u>	<u>\$ (387,018)</u>	<u>\$ (257,446)</u>	<u>\$ (291,974)</u>

City of Rock Valley, Iowa

City of Rock Valley, Iowa
Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Governmental Funds
As of and for the year ended June 30, 2010

Total governmental funds cash balances (page 24)	\$ <u>(291,974)</u>
Cash basis net assets of governmental activities (page 20)	\$ <u>(291,974)</u> =====
Net change in cash balances (page 24)	\$ <u>47,928</u>
Change in cash balances net assets of governmental activities (page 20)	\$ <u>47,928</u> =====

See notes to financial statements.

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2010

Exhibit D

	Enterprise Funds			
	Water	Sewer	Garbage	Campground
Operating Receipts:				
Use of money and property	\$ -	\$ 1,130	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for service	491,340	451,725	177,425	138,563
Miscellaneous	<u>34,271</u>	<u>5,252</u>	<u>-</u>	<u>-</u>
Total operating receipts	<u>\$ 525,611</u>	<u>\$ 458,107</u>	<u>\$ 177,425</u>	<u>\$ 138,563</u>
Operating disbursements:				
Governmental activities:				
Public safety	\$ -	\$ -	\$ -	\$ -
Public works	-	-	-	-
Culture and recreation	-	-	-	-
General government	-	-	-	-
Business type activities	<u>465,596</u>	<u>301,666</u>	<u>161,331</u>	<u>106,345</u>
Total operating disbursements	<u>\$ 465,596</u>	<u>\$ 301,666</u>	<u>\$ 161,331</u>	<u>\$ 106,345</u>
Excess (deficiency) of operating receipts over				
(under) operating disbursements	<u>\$ 60,015</u>	<u>\$ 156,441</u>	<u>\$ 16,094</u>	<u>\$ 32,218</u>
Non-operating receipts (disbursements):				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest on bond proceeds	(19,705)	-	-	-
Miscellaneous	-	-	-	-
General obligation bond proceeds	-	-	-	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating receipts				
(disbursements)	<u>\$ (19,705)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of receipts over				
(under) disbursements	\$ 40,310	\$ 156,441	\$ 16,094	\$ 32,218
Bond and loan proceeds	\$ -	\$ -	\$ -	\$ -
Operating transfers in	-	-	-	-
Operating transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(10,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ (15,000)</u>	<u>\$ (15,000)</u>	<u>\$ (10,000)</u>	<u>\$ -</u>
Net change in cash balances	\$ 25,310	\$ 141,441	\$ 6,094	\$ 32,218
Cash balances beginning of year	<u>270,123</u>	<u>457,894</u>	<u>748</u>	<u>(63,914)</u>
Cash balances end of year	<u>\$ 295,433</u>	<u>\$ 599,335</u>	<u>\$ 6,842</u>	<u>\$ (31,696)</u>
	=====	=====	=====	=====
Cash Basis Fund Balances				
Reserved for debt service	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>295,433</u>	<u>599,335</u>	<u>6,842</u>	<u>(31,696)</u>
Total cash basis fund balances	<u>\$ 295,433</u>	<u>\$ 599,335</u>	<u>\$ 6,842</u>	<u>\$ (31,696)</u>
	=====	=====	=====	=====

See notes to financial statements.

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

Exhibit D

As of and for the year ended June 30, 2010

	<u>Enterprise Funds</u>
	<u>Total</u>
Operating Receipts:	
Use of money and property	\$ 1,130
Intergovernmental	-
Charges for service	1,259,053
Miscellaneous	<u>39,523</u>
Total operating receipts	<u>\$1,299,706</u>
Operating disbursements:	
Governmental activities:	
Public safety	\$ -
Public works	-
Culture and recreation	-
General government	-
Business type activities	<u>1,034,938</u>
Total operating disbursements	<u>\$1,034,938</u>
Excess (deficiency) of operating receipts over	
(under) operating disbursements	<u>\$ 264,768</u>
Non-operating receipts (disbursements):	
Intergovernmental	\$ -
Interest on bond proceeds	(19,705)
Miscellaneous	-
General obligation bond proceeds	-
Debt service	<u>-</u>
Total non-operating receipts	
(disbursements)	<u>\$ (19,705)</u>
Excess (deficiency) of receipts over	
(under) disbursements	\$ 245,063
Bond and loan proceeds	\$ -
Operating transfers in	-
Operating transfers out	<u>(40,000)</u>
Total other financing sources (uses)	<u>\$ (40,000)</u>
Net change in cash balances	\$ 205,063
Cash balances beginning of year	<u>664,851</u>
Cash balances end of year	<u>\$ 869,914</u>
	=====
Cash Basis Fund Balances	
Reserved for debt service	\$ -
Unreserved	<u>869,914</u>
Total cash basis fund balances	<u>\$ 869,914</u>
	=====

See notes to financial statements.

City of Rock Valley, Iowa
Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Proprietary Funds
As of and for the year ended June 30, 2010

Total enterprise funds cash balances (page 28)	\$ <u>869,914</u>
Cash basis net assets of business type activities (page 20)	\$ 869,914 =====
Net change in cash balances (page 28)	\$ <u>205,063</u>
Change in cash balances net assets of business type activities (page 20)	\$ 205,063 =====

See notes to financial statements.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2010

(1) Summary of Significant Accounting Policies

The City of Rock Valley is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1879 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer utilities and garbage collection for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Rock Valley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has included the Rock Valley Ambulance and Fire Department units as component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Rock Valley Economic Development Corporation, Rock Valley Economic Development Corporation Loan Fund, Northwest Iowa Landfill, Sioux County Revolving Loan Fund and Rock Valley Summer Recreation.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2010

B. Basis of Presentation (continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

Local Option Sales Tax Fund is used to account for the one percent local sales and service tax activity.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2010

B. Basis of Presentation (continued)

The Special Revenue, TIF Fund was established in a previous fiscal year to account for major urban renewal projects and tax increment financing collections and the repayment of tax increment financing indebtedness within the City.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Garbage Fund accounts for the operation and maintenance of the City's garbage collection system.

The Enterprise, Campground Fund accounts for the operation and maintenance of the City's campground system.

C. Measurement Focus and Basis of Accounting

The City of Rock Valley maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2010

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, general government and capital projects.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes/loans are as follows:

Year Ending June 30,	General Obligation Notes		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Revenue Notes/Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 780,000	\$ 219,853	\$ 40,000	\$ 22,800	\$ 325,000	\$ 189,629
2012	810,000	191,173	40,000	21,640	339,000	182,530
2013	855,000	160,760	50,000	19,822	347,000	173,815
2014	740,000	128,937	50,000	18,641	361,000	164,792
2015	767,500	99,629	60,000	16,661	381,000	155,290
2016 – 2020	1,565,000	133,286	295,000	41,708	1,919,000	617,173
2021 – 2025	0	0	0	0	1,864,013	389,271
2026 – 2030	0	0	0	0	638,268	28,634
Total	\$ 5,517,500	\$ 933,638	\$ 535,000	\$ 141,272	\$ 6,174,281	\$1,901,134

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2010

(3) Bonds and Notes Payable (continued)

Year Ending June 30,	Total	
	Principal	Interest
2011	\$ 1,145,000	\$ 432,282
2012	1,189,000	395,343
2013	1,252,000	354,397
2014	1,151,000	312,370
2015	1,208,500	271,580
2016 – 2020	3,779,000	792,167
2021 – 2025	1,864,013	389,271
2026 – 2030	638,268	28,634
Total	<u>\$ 12,226,781</u>	<u>\$2,976,044</u>

Urban Renewal Tax Increment Financing Revenue Bonds

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$676,272 payable through June 2019. For the current year, principal and interest paid and total TIF receipts were \$44,647 and \$1,237,110, respectively.

Revenue Notes and Loans

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$450,000 in water revenue notes issued in June, 2008 and \$1,359,000 in water revenue bonds issued in February, 2009. Proceeds from the notes provided financing for the construction of pump station, a water main and water treatment facilities. The notes are payable solely from water customer net receipts and are payable through 2018 and 2029, respectively. The total principal and interest remaining to be paid on the notes is \$456,942 and \$1,776,628, respectively. For the current year, principal and interest paid per issuance and total customer net receipts were \$51,163, \$93,481 and \$60,015, respectively.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2010

(3) Bonds and Notes Payable (continued)

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$260,000 in sewer revenue notes issued in June, 2008 and \$2,761,013 in sewer revenue bonds issued in November, 2009. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment system. The notes are payable solely from sewer customer net receipts and are payable through 2018 and 2025, respectively. The total principal and interest remaining to be paid on the notes is \$262,300 and \$4,075,279, respectively. For the current year, principal and interest paid per issuance and total customer net receipts were \$29,282, \$0 and \$156,441, respectively. The City has received notification the Clean Water Planning & Design Loan issued on February 4, 2009, in the amount of \$1,504,268, will qualify for loan forgiveness if the stipulated requirements are met.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) The city does not expect to create or establish any sinking fund or similar fund in respect to the notes. No amounts in any other account or funds of the city are reserved or pledged for debt service on the notes.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual salary and the City is required to contribute 6.65% of covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$56,842, \$47,485, and \$42,278, respectively, equal to the required contributions for each year.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2010

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 48,255
Sick Leave	<u>111,882</u>
Total	<u>\$ 160,137</u>

This liability has been computed based on rates of pay in effect as of June 30, 2010.

(6) Landfill Contract

The City of Rock Valley has contracted for solid waste disposal for all households or residences within the City. For the year ended June 30, 2010, \$159,953 was paid pursuant to the agreement. The contract began January 1, 2010, and will terminate June 30, 2010. The agreement calls for the city to remit to the solid waste removal contractor the fees collected less one dollar ten cents (1.10) per monthly charge, which the City retains as a collection and handling fee. The contract allows for the solid waste removal contractor the opportunity to request an increase in rates semi-annually during the months of June and December. The City has the sole power to amend the monthly rates. A new contract for the landfill contract has been granted with the previous provider as of the audit date.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	TIF Fund	\$ 90,000
	Local Option Sales Tax	78,000
	Enterprise Fund:	
	Water	15,000
	Sewer	15,000
	Garbage	10,000

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2010

(7) Interfund Transfers (continued)

Transfer to	Transfer from	Amount
Special Revenue: TIF Fund	Capital Projects: 8 th Avenue	12,000
Local Housing Assistance Program	Special Revenue: TIF Fund	5,000
Employee Benefits	Local Option Sales Tax	30,000
Local Housing Assistance Program		3,100
Debt Service Fund	Special Revenue: TIF Fund	895,430
	Capital Projects: Water System Improvements	73,776
	Sewer System Improvements	52,178
Capital Projects: Fire Department Safety Complex	Local Option Sales Tax	225,000
E. 14 th Street	Debt Service Fund	461,000
Starkweather Addition	Capital Projects: Riverview	12,000
Total		<u>\$ 1,977,484</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$82,923 during the year ended June 30, 2010.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2010

(9) Lease Agreements

The City of Rock Valley (lessee) on November 12, 1999 entered into a nonmaintenance lease agreement with Peoples Bank, Rock Valley, Iowa (lessor) for the use of a 2000 Sterling Truck with Amtech Rescue Body. The lessor grants to the City of Rock Valley the option to renew the lease agreement on an annual basis for a period of ten (10) years at an annual amount of \$10,572. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The City of Rock Valley (lessee) on June 29, 2005 entered into a nonmaintenance lease agreement with Peoples Bank, Rock Valley, Iowa (lessor) for the use of a 2005 Lifeline Ford Ambulance. The lessor grants to the City of Rock Valley the option to renew the lease agreement on an annual basis for a period of ten (10) years at an annual amount of \$7,469. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The City of Rock Valley (lessee) on December 8, 2008, entered into a nonmaintenance lease agreement with Peoples Bank, Rock Valley, Iowa (lessor) for the use of a 2008 Bobcat Toolcat. The lessor grants to the City of Rock Valley the option to renew the lease agreement on an annual basis for a period of up to ten (10) years at an annual amount of \$11,842. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The City of Rock Valley (lessee) on August 15, 2007, entered into a nonmaintenance lease agreement with Peoples Bank, Rock Valley, Iowa (lessor) for the use of a 2007 International Truck. The lessor grants to the City of Rock Valley the option to renew the lease agreement on an annual basis for a period of up to ten (10) years at an annual amount of \$12,956. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The aggregate rental expense for the year ended June 30, 2010, is \$42,839.

(10) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The City is exposed to an employee group medical insurance risk of the difference between a deductible and a fringe benefit with an estimated total risk of \$41,125.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2010

(11) Deficit Fund Balance

The Special Revenue Fund – Employee Benefits, Urban Renewal Tax Increment, Fire Fighting Equipment, Debt Service Fund, Capital Project Fund – Eagle Avenue, Water System Improvements, Eastside Development, E. 14th Street, 19th Avenue Lift Station, 19th Avenue, Westview Drive Project I, Safety Complex, 13th Avenue Improvements, and Enterprise Fund - Campground had deficit balances of \$2,993, \$144,677, \$128,605, \$8,427, \$6,752, \$209,405, \$32,475, \$14,525, \$298,826, \$6,582, \$28,526, \$49,201, \$35,466 and \$31,696 respectively, at June 30, 2010. The deficit balances were a result of transfers and project costs incurred prior to availability of funds. The deficits will be eliminated upon receipt of transfers and state grants.

(12) Other Postemployment Benefits (OPEB)

The City did not implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2010.

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 17 active members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirement of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$407 for single coverage and \$1,012 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010 the City contributed \$173,476 and plan members eligible for benefits contributed \$0 to the plan.

(13) Community Economic Betterment Loans (CEBA)

The City of Rock Valley (loan recipient) on September 21, 2006, entered into a Community Development Block Forgivable Loan for \$40,000. The City of Rock Valley (Lender) then entered into a forgivable loan agreement with Quality Machine Products, Inc. (Borrower) with the loan amount of \$40,000, maturing 2011.

(15) Subsequent Events

On July 1, 2010, the City received the proceeds of the 2010 bond issuance in the amount of \$1,160,000. The proceeds will be utilized to finance park, street and utility improvements.

Subsequent events have been evaluated through November 24, 2010, which is the date the financial statements were issued

Required Supplementary Information

City of Rock Valley, Iowa
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2010

	Governmental		Proprietary
	Funds	Funds	
	Actual	Actual	Total
Receipts:			
Property tax	\$ 773,687	\$ -	\$ 773,687
Tax increment financing collections	1,237,110	-	1,237,110
Other city tax	274,145	-	274,145
Licenses and permits	3,433	-	3,433
Use of money and property	23,920	1,130	25,050
Intergovernmental	294,898	-	294,898
Charges for service	608,691	1,259,053	1,867,744
Special assessments	22,820	-	22,820
Miscellaneous	413,509	39,523	453,032
Total receipts	<u>\$3,652,213</u>	<u>\$ 1,299,706</u>	<u>\$4,951,919</u>
Disbursements:			
Public safety	\$ 600,269	\$ -	\$ 600,269
Public works	280,365	-	280,365
Health and social services	-	-	-
Culture and recreation	474,454	-	474,454
Community and economic development	407,636	-	407,636
General government	385,325	-	385,325
Debt service	1,112,994	-	1,112,994
Capital projects	4,829,632	-	4,829,632
Business type activities	-	1,034,938	1,034,938
Total disbursements	<u>\$8,090,675</u>	<u>\$ 1,034,938</u>	<u>\$9,125,613</u>
Excess of receipts over disbursements	<u>\$(4,438,462)</u>	<u>\$ 264,768</u>	<u>\$(4,173,694)</u>
Transfers	40,000	(40,000)	-
Other financing sources, net	<u>4,350,534</u>	<u>(19,705)</u>	<u>4,330,829</u>
Excess of receipts and other financing sources over disbursements and other financing uses	<u>\$ (47,928)</u>	<u>\$ 205,063</u>	<u>\$ 157,135</u>
Balance - beginning of year	<u>(244,046)</u>	<u>664,851</u>	<u>420,805</u>
Balance - end of year	<u>\$ (291,974)</u>	<u>\$ 869,914</u>	<u>\$ 577,940</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
\$ 700,574	\$ 700,574	\$ 73,113
1,200,000	1,200,000	37,110
314,982	335,982	(61,837)
3,710	3,085	348
96,000	136,363	(111,313)
302,200	312,059	(17,161)
1,571,760	1,559,000	308,744
22,750	39,725	(16,905)
<u>160,000</u>	<u>408,751</u>	<u>44,281</u>
<u>\$ 4,371,976</u>	<u>\$ 4,695,539</u>	<u>\$ 256,380</u>
\$ 456,006	\$ 494,944	\$ (105,325)
300,310	291,310	10,945
-	-	-
423,580	462,099	(12,355)
442,530	1,153,760	746,124
265,784	338,250	(47,075)
992,335	1,243,692	130,698
100,000	483,062	(4,346,570)
<u>1,080,146</u>	<u>6,100,913</u>	<u>5,065,975</u>
<u>\$ 4,060,691</u>	<u>\$10,568,030</u>	<u>\$ 1,442,417</u>
\$ 311,285	\$ 5,872,491	\$ 1,698,797
-	(2,511,602)	2,511,602
<u>-</u>	<u>8,640,757</u>	<u>(4,309,928)</u>
\$ 311,285	\$ 256,664	\$ (99,529)
<u>420,805</u>	<u>420,805</u>	<u>-</u>
\$ 732,090	\$ 677,469	\$ (99,529)
<u>=====</u>	<u>=====</u>	<u>=====</u>

City of Rock Valley, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments increased budgeted disbursements by \$1,442,417. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, general government and capital projects functions.

Other Supplementary Information

City of Rock Valley, Iowa
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of the year ended June 30, 2010

				Special
	Employee Benefits	Urban Renewal Tax Increment	Local Housing Assistance Program	Utility Deposit Account
Receipts:				
Property tax	\$ 130,667	\$ 12,362	\$ -	\$ -
Other city tax	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	1,234	-	40,101	7,937
Total receipts	<u>\$ 131,901</u>	<u>\$ 12,362</u>	<u>\$ 40,101</u>	<u>\$ 7,937</u>
Disbursements:				
Operating:				
Public safety	\$ 76,878	\$ -	\$ -	\$ -
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	31,405	-	-	-
Community and economic development	17,734	-	81,573	956
General government	45,530	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>\$ 171,547</u>	<u>\$ -</u>	<u>\$ 81,573</u>	<u>\$ 956</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (39,646)</u>	<u>\$ 12,362</u>	<u>\$ (41,472)</u>	<u>\$ 6,981</u>
Other financing uses:				
Operating transfers in (out)	<u>30,000</u>	<u>-</u>	<u>8,100</u>	<u>-</u>
Net change in cash balances	\$ (9,646)	\$ 12,362	\$ (33,372)	\$ 6,981
Cash balances beginning of year	<u>6,653</u>	<u>(157,039)</u>	<u>33,421</u>	<u>11,799</u>
Cash balances end of year	<u>\$ (2,993)</u>	<u>\$ (144,677)</u>	<u>\$ 49</u>	<u>\$ 18,780</u>

(Continued on page 46)

City of Rock Valley, Iowa
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2010

Revenue

RLF		
Firefighting		
Equipment	Total	
\$ -	\$ 143,029	
-	-	
-	-	
-	-	
-	-	
-	49,272	
\$ -	\$ 192,301	

\$ 15,000	\$ 91,878
-	-
-	-
-	31,405
-	100,263
-	45,530
-	-
-	-
\$ 15,000	\$ 269,076

\$ (15,000) \$ (76,775)

- 38,100

\$ (15,000) \$ (38,675)

(113,605) (218,771)

\$(128,605) \$(257,446)

=====

(Continued on page 47)

(Continued from page 45)

City of Rock Valley, Iowa
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2010

	Special			
	Employee Benefits	Urban Renewal Tax Increment	Local Housing Assistance Program	Utility Deposit Account
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ (2,993)	\$ (144,677)	\$ 49	\$ 18,780
Capital project fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	<u>\$ (2,993)</u>	<u>\$ (144,677)</u>	<u>\$ 49</u>	<u>\$ 18,780</u>

See accompanying independent auditor's report.

Schedule 1

Revenue	
RLF	
Firefighting	
Equipment	Total

\$(128,605)	\$(257,446)
-	-
<u>-</u>	<u>-</u>
\$(128,605)	\$(257,446)
=====	=====

**City of Rock Valley, Iowa
Schedule of Indebtedness
Year Ended June 30, 2010**

Obligation	Date of Issue	Interest Rates
General Obligation Notes:		
G.O. Capital Loan Notes – Series 2007	Sept. 25, 2007	3.85-4.25%
G.O. Capital Loan Note – Series 2006	Sept. 25, 2006	3.75-4.30%
G.O. Capital Loan Note – IA DOT RISE	Mar. 15, 2006	0.00%
G.O. Capital Loan Notes – 300 th Street	Sept. 1, 2005	3.85%
G.O. Fire Fighting Equipment Notes	Oct. 11, 2004	0.00%
G.O. Capital Loan Notes – Series 2005	Oct. 1, 2004	2.00-3.90%
G.O. Capital Loan Notes – Series 2002	July 1, 2002	2.00-4.25%
G.O. Capital Loan Notes – E. 16 th /W. 17 th Street Project	April 1, 2001	4.70%
G.O. Capital Loan Notes – Series 2008	June 30, 2008	2.45-4.20%
G.O. Capital Loan Notes – Series 2009	February 19, 2009	2.50-4.90%
G.O. Capital Loan Notes – Series 2009	August 27, 2009	4.00-5.00%
Total		
Tax Increment Financing Revenue Bonds		
Tax Increment (TIF)	February 19, 2009	2.70-5.20%
Revenue Notes & Loans		
Water Revenue Notes – 2008	June 30, 2008	2.60-4.33%
Sewer Revenue Notes – 2008	June 30, 2008	2.60-4.35%
Clean Water Planning & Design Loan	February 4, 2009	0.00%
Drinking Water Planning & Design Loan	February 4, 2009	3.00%
Clean Water Planning & Design Loan	November 4, 2009	3.00%
Total		

See accompanying independent auditor's report.

Schedule 2

Amount Originally Issued	Balance Beginning Of Year	Issued During Year	Redeemed During Year	Balance End Of Year	Interest Paid	Interest Due and Unpaid
\$1,500,000	\$ 1,305,000	\$ 0	\$ 125,000	\$ 1,180,000	\$ 53,538	\$ 0
850,000	645,000	0	80,000	565,000	26,415	0
142,632	28,526	0	28,526	0	0	0
800,000	610,000	0	75,000	535,000	12,592	0
150,000	82,500	0	15,000	67,500	0	0
1,155,000	760,000	0	115,000	645,000	26,492	0
1,415,000	585,000	0	135,000	450,000	24,233	0
175,000	40,000	0	20,000	20,000	1,880	0
1,500,000	1,420,000	0	115,000	1,305,000	53,064	0
435,000	435,000	0	30,000	405,000	58,519	0
370,000	0	370,000	25,000	345,000	11,370	0
	<u>\$ 5,911,026</u>	<u>\$ 370,000</u>	<u>\$ 763,526</u>	<u>\$ 5,517,500</u>	<u>\$ 268,103</u>	<u>\$ 0</u>
	=====	=====	=====	=====	=====	=====
\$ 565,000	\$ 565,000	\$ 0	\$ 30,000	\$ 535,000	\$ 14,647	\$ 0
\$ 450,000	\$ 415,000	\$ 0	\$ 35,000	\$ 380,000	\$ 16,163	\$ 0
260,000	240,000	0	20,000	220,000	9,282	0
1,504,268	414,480	1,504,268	414,480	1,504,268	52,178	0
1,359,000	1,229,267	129,733	50,000	1,309,000	43,480	0
2,761,013	0	2,761,013	0	2,761,013	0	0
	<u>\$ 2,298,747</u>	<u>\$4,395,014</u>	<u>\$ 519,480</u>	<u>\$ 6,174,281</u>	<u>\$ 121,103</u>	<u>\$ 0</u>
	=====	=====	=====	=====	=====	=====

**City of Rock Valley, Iowa
Bond and Note Maturities
June 30, 2010**

General Obligation Notes

Year Ending June 30	<u>Series 2007</u> <u>Issued Sept. 25, 2007</u>		<u>Series 2005</u> <u>Issued Oct. 1, 2005</u>		<u>Series 2002</u> <u>Issued July 1, 2002</u>	
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>
2011	4.00%	\$ 135,000	3.25%	\$ 120,000	4.10%	\$ 145,000
2012	4.00	145,000	3.40	125,000	4.20	150,000
2013	4.05	160,000	3.55	125,000	4.25	155,000
2014	4.10	170,000	3.70	135,000		0
2015	4.15	180,000	3.90	140,000		0
2016	4.20	190,000		0		0
2017	4.25	200,000		0		0
2018		0		0		0
2019		<u>0</u>		<u>0</u>		<u>0</u>
Total		\$1,180,000 =====		\$ 645,000 =====		\$ 450,000 =====

Revenue Bonds (TIF)

<u>Tax Increment Financing Revenue Bonds</u>			
Year Ending June 30	<u>Issued February 19, 2009</u>		<u>Total</u>
	<u>Interest Rate</u>	<u>Amount</u>	
2011	2.90%	\$ 40,000	
2012	3.20	40,000	
2013	3.50	50,000	
2014	3.90	50,000	
2015	4.10	60,000	
2016	4.40	60,000	
2017	4.60	70,000	
2018	4.90	80,000	
2019	5.20	<u>85,000</u>	
		\$ 535,000 =====	

See accompanying independent auditor's report.

**City of Rock Valley, Iowa
Bond and Note Maturities
June 30, 2010**

General Obligation Notes

Year Ending June 30	<u>Fire Fighting Equipment</u> <u>Issued Oct. 11, 2004</u>		<u>Capital Loan Notes</u> <u>Series 2006</u> <u>Issued Sept. 25, 2006</u>		<u>Capital Loan Notes</u> <u>Series 2009</u> <u>Issued February 19, 2009</u>	
	<u>Interest</u> <u>Rate</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>
2011	0.00%	\$ 15,000	3.95%	\$ 85,000	2.80%	\$ 30,000
2012	0.00	15,000	4.00	90,000	3.00	35,000
2013	0.00	15,000	4.10	95,000	3.25	35,000
2014	0.00	15,000	4.15	95,000	3.55	40,000
2015	0.00	7,500	4.20	100,000	3.85	40,000
2016		0	4.30	100,000	4.10	50,000
2017		0		0	4.30	50,000
2018		0		0	4.50	60,000
2019		<u>0</u>		<u>0</u>	4.90	<u>65,000</u>
Total		\$ 67,500 =====		\$ 565,000 =====		\$ 405,000 =====

See accompanying independent auditor's report.

**City of Rock Valley, Iowa
Bonds and Note Maturities
June 30, 2010**

General Obligation Notes

Year Ending June 30	<u>Capital Loan Notes</u> <u>E. 16th Street</u> <u>Issued April 1, 2001</u>		<u>Capital Loan Notes</u> <u>300th Street</u> <u>Issued September 1, 2005</u>	
	Interest		Interest	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2011	4.70%	\$ 20,000	3.85%	\$ 80,000
2012		0	3.85	85,000
2013		0	3.85	90,000
2014		0	3.85	90,000
2015		0	3.85	95,000
2016		0	3.85	95,000
2017		0		0
2018		0		0
2019		0		0
Total		\$ 20,000		\$ 535,000
		=====		=====

See accompanying independent auditor's report.

**City of Rock Valley, Iowa
Bonds and Note Maturities
June 30, 2010**

General Obligation Notes

Year Ending June 30	<u>Capital Loan Notes</u> <u>Series 2008</u> <u>Issued July 1, 2008</u>		<u>Capital Loan Notes</u> <u>Series 2009</u> <u>Issued August 27, 2009</u>		<u>Total</u>
	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	
2011	3.20%	\$ 125,000	4.20%	\$ 25,000	\$ 780,000
2012	3.40	135,000	4.30	30,000	810,000
2013	3.65	145,000	4.40	35,000	855,000
2014	3.75	160,000	4.50	35,000	740,000
2015	3.90	170,000	4.60	35,000	767,500
2016	4.00	180,000	4.70	40,000	655,000
2017	4.00	190,000	4.80	45,000	485,000
2018	4.10	200,000	4.90	50,000	310,000
2019		<u>0</u>	<u>5.00</u>	<u>50,000</u>	<u>115,000</u>
Total		\$1,305,000 =====		\$ 345,000 =====	\$ 5,517,500 =====

See accompanying independent auditor's report.

**City of Rock Valley, Iowa
Bonds and Note Maturities
June 30, 2010**

Revenue Loans

Year Ending June 30	<u>Water Revenue Notes - Series 2008</u>		<u>Sewer Revenue Notes - Series 2008</u>		<u>Clean Water Planning & Design Loan Dated May 7, 2008</u>	
	<u>Issued June 30, 2008</u>		<u>Issued June 30, 2008</u>		<u>Interest</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2011	3.35%	\$ 35,000	3.35%	\$ 25,000	0.00%	\$ 64,000
2012	3.60	40,000	3.60	25,000	0.00	66,000
2013	3.80	40,000	3.80	25,000	0.00	68,000
2014	3.90	45,000	3.90	25,000	0.00	70,000
2015	4.05	50,000	4.05	30,000	0.00	72,000
2016	4.15	50,000	4.15	30,000	0.00	75,000
2017	4.25	60,000	4.25	30,000	0.00	77,000
2018	4.33	60,000	4.35	30,000	0.00	80,000
2019		0		0	0.00	82,000
2020		0		0	0.00	85,000
2021		0		0	0.00	88,000
2022		0		0	0.00	91,000
2023		0		0	0.00	93,000
2024		0		0	0.00	97,000
2025		0		0	0.00	100,000
2026		0		0	0.00	103,000
2027		0		0	0.00	106,000
2028		0		0	0.00	87,268
2029		0		0	0.00	0
Total		\$ 380,000		\$ 220,000		\$1,504,268

See accompanying independent auditor's report.

**City of Rock Valley, Iowa
Bonds and Note Maturities
June 30, 2010**

Revenue Loans

Year Ending June 30	<u>Drinking Water Planning & Design Loan</u> <u>Dated February 4, 2009</u>		<u>Clean Water Planning & Design Loan</u> <u>Dated November 4, 2009</u>		<u>Total</u>
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
2011	3.00%	\$ 51,000	3.00%	\$ 150,000	\$ 325,000
2012	3.00	53,000	3.00	155,000	339,000
2013	3.00	54,000	3.00	160,000	347,000
2014	3.00	56,000	3.00	165,000	361,000
2015	3.00	58,000	3.00	171,000	381,000
2016	3.00	60,000	3.00	176,000	391,000
2017	3.00	62,000	3.00	182,000	411,000
2018	3.00	64,000	3.00	188,000	422,000
2019	3.00	66,000	3.00	194,000	342,000
2020	3.00	68,000	3.00	200,000	353,000
2021	3.00	70,000	3.00	207,000	365,000
2022	3.00	73,000	3.00	213,000	377,000
2023	3.00	75,000	3.00	220,000	388,000
2024	3.00	77,000	3.00	227,000	401,000
2025	3.00	80,000	3.00	153,013	333,013
2026	3.00	83,000		0	186,000
2027	3.00	85,000		0	191,000
2028	3.00	88,000		0	175,268
2029	3.00	<u>86,000</u>		<u>0</u>	<u>86,000</u>
Total		<u>\$1,309,000</u>		<u>\$2,761,013</u>	<u>\$ 6,174,281</u>

See accompanying independent auditor's report.

City of Rock Valley, Iowa
Schedule of Receipts By Source and Disbursements By Function
All Government Funds
For The Last Ten Years

	2010	2009	2008	2007
Receipts:				
Property tax	\$ 773,687	\$ 687,508	\$ 682,135	\$ 625,775
Tax increment financing	1,237,110	1,179,064	1,010,235	927,644
Other city tax	274,145	294,471	277,616	250,622
Licenses and permits	3,433	4,683	5,550	3,720
Use of money and property	23,920	33,499	42,345	62,445
Intergovernmental	294,898	253,255	931,197	253,368
Charges for service	608,691	142,308	88,893	94,323
Special assessments	22,820	8,549	-	33,803
Miscellaneous	<u>413,509</u>	<u>426,063</u>	<u>437,382</u>	<u>670,368</u>
Total	<u>\$ 3,652,213</u>	<u>\$ 3,029,400</u>	<u>\$ 3,475,353</u>	<u>\$ 2,922,068</u>
Disbursements:				
Operating:				
Public safety	\$ 600,269	\$ 493,165	\$ 399,134	\$ 490,967
Public works	280,365	349,585	253,151	178,929
Health and social services	-	-	-	-
Culture and recreation	474,454	398,116	389,558	425,848
Community and economic development	407,636	1,234,591	466,188	746,409
General government	385,325	310,313	347,828	341,847
Debt service	1,112,994	964,386	744,144	695,899
Capital projects	<u>4,829,632</u>	<u>3,692,617</u>	<u>3,754,667</u>	<u>625,366</u>
Total	<u>\$ 8,090,675</u>	<u>\$ 7,442,773</u>	<u>\$ 6,354,670</u>	<u>\$ 3,505,265</u>

See accompanying independent auditor's report.

City of Rock Valley, Iowa
Schedule of Receipts By Source and Disbursements By Function
All Government Funds
For The Last Ten Years

	2006	2005	2004	2003
Receipts:				
Property tax	\$ 634,496	\$ 646,557	\$ 593,935	\$ 581,900
Tax increment financing	738,871	687,448	617,364	555,881
Other city tax	235,723	204,949	252,438	232,056
Licenses and permits	4,231	2,905	3,445	3,570
Use of money and property	43,234	36,155	29,892	42,752
Intergovernmental	258,274	376,796	273,351	810,008
Charges for service	96,027	31,924	24,625	26,546
Special assessments	36,273	59,908	9,040	18,565
Miscellaneous	<u>812,667</u>	<u>464,924</u>	<u>244,153</u>	<u>206,883</u>
Total	<u>\$ 2,859,796</u>	<u>\$ 2,511,566</u>	<u>\$ 2,048,243</u>	<u>\$ 2,478,161</u>
Disbursements:				
Operating:				
Public safety	\$ 421,157	\$ 570,793	\$ 330,525	\$ 293,409
Public works	247,090	211,566	356,669	342,886
Health and social services	-	-	-	-
Culture and recreation	473,401	392,464	345,024	304,200
Community and economic development	510,884	609,298	245,415	606,555
General government	296,338	160,388	339,724	224,525
Debt service	418,412	320,293	331,179	408,670
Capital projects	<u>1,383,236</u>	<u>1,041,728</u>	<u>476,117</u>	<u>1,468,405</u>
Total	<u>\$ 3,750,518</u>	<u>\$ 3,306,530</u>	<u>\$ 2,424,653</u>	<u>\$ 3,648,650</u>

See accompanying independent auditor's report.

City of Rock Valley, Iowa
Schedule of Receipts By Source and Disbursements By Function
All Government Funds
For The Last Ten Years

	2002	2001
Receipts:		
Property tax	\$ 560,188	\$ 609,323
Tax increment financing	464,390	381,998
Other city tax	236,247	226,546
Licenses and permits	3,265	3,190
Use of money and property	61,467	98,495
Intergovernmental	415,996	410,340
Charges for service	24,632	15,399
Special assessments	96,401	73,835
Miscellaneous	<u>141,810</u>	<u>132,491</u>
Total	\$ 2,004,396 =====	\$ 1,951,617 =====
Disbursements:		
Operating:		
Public safety	\$ 358,976	\$ 280,309
Public works	370,220	345,005
Health and social services	-	-
Culture and recreation	318,530	250,820
Community and economic development	75,986	191,956
General government	181,081	250,579
Debt service	347,027	306,690
Capital projects	<u>916,409</u>	<u>812,535</u>
Total	\$ 2,568,229 =====	\$ 2,437,894 =====

See accompanying independent auditor's report.

City of Rock Valley, Iowa

City of Rock Valley, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Grantor/Program:	CFDA Number	Agency Pass-Through Number	Program Expenditures
U.S. Environmental Protection Agency Iowa State Revolving Loan Fund: ARRA – Clean Water State Revolving Funds	66.458	CF0207R	\$1,504,268
U.S. Department of Homeland Security Iowa Department of Public Defense: Iowa Homeland Security and Emergency Management Division: Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1877-DR-IA	15,339
U.S. Department of Education: Iowa Department of Transportation: ARRA-State Fiscal Stabilization Fund (SFSF) Government Services, Recovery Act	87.397	5397A090016A	<u>3,227</u>
Total			<u><u>\$1,552,834</u></u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Rock Valley and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basis financial statements.

See accompanying independent auditor's report.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with Government Auditing
Standards

To the Honorable Mayor and Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Rock Valley, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 24, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Rock Valley's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Rock Valley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Rock Valley's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Rock Valley's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10, II-C-10, II-E-10, and II-F-10 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-10 and II-D-10 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rock Valley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Rock Valley's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City of Rock Valley's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Rock Valley and other parties to whom the City of Rock Valley may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Rock Valley during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Bruggen + Vande Vegh, P.C.
Van Bruggen & Vande Vegte, P.C.

November 24, 2010

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**



Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of City of Rock Valley, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2010. City of Rock Valley's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of City of Rock Valley's management. Our responsibility is to express an opinion on City of Rock Valley's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Rock Valley's compliance with those requirements and performing such other procedure as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Rock Valley's compliance with those requirements.

In our opinion, City of Rock Valley complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010. The results of our auditing procedures disclosed no instances of non-compliance with those requirements which is required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of City of Rock Valley is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered City of Rock Valley's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of

expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Rock Valley's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

City of Rock Valley's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City of Rock Valley's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of City of Rock Valley and other parties to whom City of Rock Valley may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Van Bruggen + Vande Vegte, P.C.
Van Bruggen & Vande Vegte, P.C.

November 24, 2010

**City of Rock Valley, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010**

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (e) The major program was CFDA Number 66.458 – ARRA – Clean Water State Revolving Fund.
- (f) The dollar threshold used to distinguish between Type A and Type B programs was \$500,000.
- (g) The City of Rock Valley, Iowa did qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

- II-A-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the handling of cash and numerous recordkeeping functions are not entirely separated among employees.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. An independent person could be used to regularly approve time sheets, check paychecks for accuracy, verify vacation and sick leave, examine employee expense reimbursements, and periodically examine investments.

Response – We will investigate this within economic constraints.

Conclusion – Response acknowledged. The City could segregate duties to the extent possible with existing personnel and also through utilizing administrative personnel to provide additional control through review of financial transactions and reports.

City of Rock Valley, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Part II: Findings Related to the Financial Statements: (continued)

- II-B-10 Capital Assets Record – A complete record of capital assets is not maintained.

Recommendation – To facilitate the proper insurance, maintenance and safeguarding of these assets, such records should be established. An inventory of all property and equipment should be taken by an independent person at least once a year and compared against capital assets records.

Response – We will work on implementing this recommendation.

Conclusion – Response accepted.

- II-C-10 Countersignature of Checks

Recommendation – In order to provide an additional control, checks should be prepared and signed by one individual and then the supporting vouchers and invoices should be made available along with the checks to the second individual for review and countersignature.

Response – We will consider this recommendation.

Conclusion – Response accepted. As having dual check signers adds an important additional control, we strongly recommend that the City does consider this. Procedures could be established to account for the situation when it is not feasible to have two check signers.

- II-D-10 Financial Statement Preparation – Management has chosen to utilize the auditors in drafting the annual financial statements and footnotes.

Recommendation – Management should prepare the financial statements but has not obtained the sufficient expertise necessary to prepare the financial statement and the footnotes on the basis of cash receipts and disbursements.

Response – Management agrees and understands.

Conclusion – Response accepted.

**City of Rock Valley, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010**

II-E-10 Separately Maintained Records –

Volunteer Fire and Ambulance Departments – The volunteer fire and ambulance departments maintain separate accounting records and the individual transaction activity is not included in the City's accounting records. Additionally, certain disbursements were either not adequately supported (scratch paper used as an invoice with no identification of payee) or were not supported at all.

Recommendation – Chapter 384.20 of the Code of Iowa states in part that a City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose. For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the Council on a monthly basis. Also, the volunteer fire and ambulance departments should ensure all disbursements are properly supported.

II-F-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

For the City of Rock Valley Volunteer Fire and Ambulance Department accounts, one individual has control over each of the following areas:

- (1) Receipts – opening mail, collecting and depositing.
- (2) Disbursements – check writing, signing and approval.
- (3) Cash – handling and recording cash.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review the control procedures to obtain the maximum internal control possible under the circumstances. The City should utilize current personnel and officials to provide additional control through review financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be evidenced by initials or signature of the reviewer and the date of the review.

Instances of Non-Compliance:

No matters were noted.

**City of Rock Valley, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010**

Part III: Other Findings Related to Statutory Reporting:

- III-A-10 Certified Budget – Disbursements during the year ended June 30, 2010, exceeded the amounts budgeted in the public safety, culture and recreation, general government and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

- III-B-10 Questionable Disbursements - We noted no expenditures for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

- III-C-10 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials and/or employees were noted.

- III-D-10 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows.

Name, Title and Business Connection	Transaction Description	Amount
Kevin Van Otterloo, council member shareholder, Van's Food Pride	materials	\$ 3,409
Chad Van Zee, council member shareholder, Valley Sand & Gravel, Inc.	materials	79,513

In accordance with Chapter 362.5 (10) of the Code of Iowa, the transactions with the council members do not appear to represent a conflict of interest since total transactions with each individual were less than \$1,500 during the fiscal year or the transactions with council members does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

**City of Rock Valley, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010**

Part III: Other Findings Related to Statutory Reporting: (continued)

- III-E-10 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-10 Council Minutes - No transactions were found that we believe should have been approved in the council minutes but were not.
- III-G-10 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-H-10 Revenue Bonds - The Special Revenue Fund, TIF Fund, had a positive balance as of June 30, 2010. The Special Revenue Fund, Urban Renewal Tax Increment had a deficit balance as of June 30, 2010.

Recommendation - There should be more funds transferred to service the outstanding Urban Renewal Tax Increment debt.

Response - We will transfer more funds to service the Urban Renewal Tax Increment debt.

Conclusion - Response accepted.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Rock Valley, Iowa during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Bruggen & Vande Vegte, P.C.
Van Bruggen & Vande Vegte, P.C.

November 24, 2010